NOTES

WASHINGTON NOTES

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President Taft has closed another period in the tariff-revision struggle by vetoing the three bills sent to him before the adjournment of Congress. These bills were the so-called Underwood-La Follette wool bill, the farmers' free-list bill, and the Underwood-Overman cotton bill. The original Underwood wool bill (H.R. 11,019, 62d Cong., 1st sess.) was reported by the Ways and Means Committee of the House on June 6; passed by the House on June 20; and unfavorably reported by the Senate Finance Committee on June 22, after a test vote on the question whether to direct the reporting of the measure by the committee. This vote was carried by a coalition of insurgent Republicans and Democrats. The farmers' free-list bill (H.R. 4,413, 62d Cong., 1st sess.) was reported by the Ways and Means Committee on April 19; passed by the House on May 8; and reported by the Senate Finance Committee on June 22, in consequence of instructions similar to those which compelled the reporting of the wool bill. The cotton bill (H.R. 12,812, 62d Cong., 1st sess.) was reported by the Ways and Means Committee on July 26; passed by the House on August 3; and reported unfavorably by the Senate Finance Committee on August 10. As sent to the Senate the original wool bill had carried an average ad valorem duty on the articles included in it amounting to 42½ per cent, the rate on raw wool being 20 per cent ad valorem. After the bill was sent to the Senate, Senator La Follette had offered, on July 13, his own wool bill (first as an amendment to the Canadian Reciprocity bill), which provided a rate of about 35 per cent on raw wool with textile rates to correspond. By an arrangement between the "progressive" Republicans and the Democrats of the Senate the Underwood wool bill, after being voted down (July

27), was reconsidered, and the La Follette bill substituted. The measure then went to conference and at sessions held by the Conference Committee a compromise rate of 29 per cent on raw wool was determined upon. Cloths were to be 49 per cent; carpets 50 per cent, 40 per cent, and 30 per cent, and other rates were fixed in proportion. A curious and unprecedented step on the part of the Conference Committee was taken when the sessions were thrown open to the public. The Underwood-La Follette bill after being accepted by the Senate as modified in conference, on August 15, and by the House on August 14, was sent to the President and vetoed by him in a message transmitted to Congress on August 17. The message criticized the bill very severely on the ground of faulty construction and urged the postponement of action until the Tariff Board could be enabled to report. The opening of Congress was mentioned as the date for transmitting the report of the board.

A similar legislative maneuver resulted in passing the farmers' free-list bill on August 1. In a message sent to Congress on August 18, the President vetoed the free-list measure as he had vetoed the wool bill, stating further that the language used in the measure was so loose as to raise the danger of disturbance of many duties other than those specifically referred to in the measure.

The cotton bill furnished the opportunity for an unusually bitter legislative struggle. Insurgent Republicans in the Senate had desired to pass the measure by the same plan of co-operation with the Democrats that had been so successful when the wool and farmers' free-list proposals had been put through. But, from the moment when the cotton bill became public, the cotton manufacturers of the country, and particularly those of the southern states, had offered strenuous opposition to it. The bill as presented would have cut existing cotton duties—averaging about 48 per cent—to about 27 per cent. This opposition had availed nothing in the House notwithstanding an open letter sent by the combined manufacturers to every member of Congress, but had proved very effective in the Senate. Southern senators attempted to shelve the whole subject by securing an immediate adjournment of Congress when the wool and farmers' free-list bills had been disposed of. Disappointed in this attempt, the southerners, under the lead of Senator Overman of North Carolina, sought to amend the bill with two chief objects in mind: (1) to put the measure into so absurd a form as to insure its rejection by the President, and (2) to attach to it for political

effect provisions reducing the cost of materials used by cotton textile manufacturers in somewhat the same proportion as cotton goods themselves. Arrangements were therefore made between the Democrats and conservative Republicans whereby the latter agreed to absent themselves from the chamber in numbers sufficient to insure the adoption of the Democratic compound measure on the first roll-call, thereby preventing the substitution of the La Follette bill by the old mode of procedure. On the day of the final vote in the Senate (August 17), the Underwood bill was amended by the addition of the so-called Overman chemical schedule, reducing rates on chemicals very generally and very severely. An amendment offered by Senator Bacon (identical with the former Cummins amendment) was also accepted, which reduced rates on steel and iron horizontally, by 30 per cent of their existing amount over a portion of the schedule, and by 40 per cent throughout the remainder of it, while providing a special rate of ¼ cent per pound on structural steel. In a sharp message sent to Congress on August 22 President Taft had no trouble in exposing the weaknesses of this bill and in consequence transmitted his veto.

The real significance of the tariff struggle of the special session, which has thus resulted in nothing tangible, has been that of showing what Congress is prepared to do and what party combinations will be necessary to secure the adoption of anything by way of change in existing arrangements. It has shown (1) that the present temper of political parties is such as to permit the adoption of tariff legislation if the grouping is sufficiently carefully handled. The bill which affords the most nearly correct test of what can be done is the wool measure. The cotton bill furnishes no such test because of the peculiar political scheming which produced it. The farmers' free-list bill was merely a collection of scattered items without relation to one another. (2) The length to which Congress is willing to go in its reductions is probably about one-half of existing rates. (3) Nothing can be accomplished without the assent both of the insurgent element in the Republican party and of the Democrats—a situation which assures the retention of protective duties. (4) The Executive, although he vetoed the measures sent him by Congress, has thoroughly committed himself to reform and reduction of schedules, definitely agreeing to second such recommendations as may come from the Tariff Board. (5) This board, although it

has not thus far reported except on wood pulp and print paper, is committed to the making of a report at the opening of December, and in it will undoubtedly show the need for some reductions—though how great they are to be cannot, of course, be predicted. The attitude of the country has unmistakably favored the tariff-reduction movement and the progress of the movement has been conditioned and based upon that very fact more than upon anything else. Politicians have, however, been made aware that the country was not prepared to support tariff changes merely for their own sake, but was disposed to take strict account of the alterations introduced. The political trickeries of the last few weeks of Congress were not well received and their authors will use much greater care in the struggle of next winter.

Congress has passed (August 20) the so-called Cummins bill, providing for the disestablishment of the National Monetary Commission. By the terms of the bill, the commission is to turn in a "full and comprehensive" report not later than January 8, 1912. The existence of the commission is allowed to continue until March 31, 1912, but there are no specific duties to be performed between January 8 and March 31. Salaries of all employees already in the government service, and salaries of the members of the commission itself, terminate immediately upon the signing of the bill. This leaves the commission with the authority to expend the public funds only to the extent of its actual and necessary expenses, and for the payment of salaries of employees who are not otherwise engaged by the government. Arrangements have been made by the commission, in view of the shortness of the time which remains to it, for immediate hearings intended to complete the investigation it has been making. Leaders of various organizations—commercial, industrial, and trade-union—will be summoned before the commission during the autumn, in order to obtain their views with reference to the terms of the Aldrich banking plan. This will complete the program which had been originally mapped out for the commission, and which has been delayed in its execution by the absence of ex-Senator Aldrich, the chairman of the organization. The passage of the bill was not resisted by members of the National Monetary Commission, although they offered certain modifications of it. Senator Burton, a member of the commission, suggested that the time for the expiration of the organization, which had been set at January 8, in the original bill, should be extended to May 1. When the

measure came to a vote in the Senate, the time was changed to January 8, which was to be the date both for the presentation of the report and for the termination of the commission's life. In the House Committee on Banking and Currency it was argued that the date fixed was too early to permit the rendering of a satisfactory report, and it was proposed to substitute March 31. By a compromise, the date for report was set for January 8, as already indicated, while the commission was given, technically speaking, the longer lease of life, if it should be desired. The commission is under no instructions to report a definite bill to Congress, but the assumption is that it will do so. This means that in all probability a monetary commission bill will be offered before the new session is very far advanced. It is not expected that this bill will follow in all respects the lines of the Aldrich plan, as already made public. The commission has already accepted a number of changes in that plan, and several additional modifications are being considered. Among those which are receiving attention, according to statements made by members of the commission, are the relation of state banks and trust companies to the proposed central reserve association, the question of a tax upon the issues of the proposed association, and several others. Particular study is being given to the question how to prevent large banks from acquiring an undue control in the proposed association, through the indirect ownership of shares in smaller institutions which are also stockholders in the National Reserve Association. It is not probable that any measure can be passed by Congress at the coming session.

An important development in the further study of the trust question has been brought about by the passage of a Senate resolution providing for the opening of an investigation of the subject by the Senate Committee on Interstate Commerce. The resolution is broad in its scope, and would permit the committee to cover a very wide field if it were so disposed. Its intention, however, is not to consume time in any discussion of the legality of what has already been done. Attention will principally be given to an analysis of actual business conditions due to the growth of industrial combinations, and to the ascertainment of the views of leading industrial managers with reference to the character of the legislation which should be passed by Congress under existing circumstances. It is intended that the committee shall report to the

Senate with respect to its findings, in order that there may be a better basis for legislation than now exists. Opinion in Congress has been extremely confused ever since the handing down of the decisions of the Supreme Court in the Tobacco and Oil cases late last spring. The Interstate Commerce Committee has before it several distinct plans. One of these is the proposal for federal incorporation, which was put into the form of a bill two years ago by Attorney-General Wickersham at the request of President Taft. This plan is understood to be the one which still has the approval of the administration. A modification of it is seen in the so-called Newlands Federal Registration plan. The incorporation proposal would merely provide for the granting of federal charters to all concerns doing an interstate business. Such charters would be granted, however, only in case the concerns complied with certain very definite requirements to be included in the legislation. After they had thus complied and had received federal charters, they would be subject to rigid federal oversight and, presumably, their charters might be revoked under certain circumstances. The Federal Registration plan would not call for incorporation but would require all interstate corporations having annual gross receipts above a certain sum to take out federal licenses. After these were granted, the concerns so licensed would be entitled to use the words "U.S. Registered" after their titles. This right, and also the license, might be revoked should they fail to comply with the requirements to be laid down in the law. This is a modification of the plan put forward by ex-President Roosevelt some years ago, in which was proposed the licensing of corporations and their control by the Bureau of Corporations. Alternative to all such plans, the committee has before it a group of bills designed for the amendment of the Sherman antitrust law. Chief among these is a measure proposed by Senator La Follette shortly before the close of the past session (S. 3,276, 62d Cong., 1st sess.) in which two important changes in the Sherman Act were suggested. One of these proposed changes would place upon the managers of every industrial combination the burden of proof of the reasonableness of their acts. The second proposal was to define what constitutes an "unreasonable" restraint of trade. The La Follette bill offers a definition of such "unreasonable" restraints, which would include almost every act likely to be performed by the managers of a large business organization. There is no indi-

cation thus far what is the disposition of the committee. Its present membership includes both "radical" and "conservative" elements.

What is likely to be an important phase in the history of the national banking system has been developed in consequence of action taken by Attorney-General Wickersham during July last. Mr. Wickersham prepared an opinion holding that trust companies and banks organized under state laws may not be controlled jointly with national banks by an identical set of stockholders, since such control is illegal. This decision is based upon the interpretation of the National Bank Act which prohibits the control of one bank by another organized under the national law. Mr. Wickersham's action was taken as the result of published statements concerning the National City Company of New York. This company was to be an investment concern and was controlled by the stockholders of the National City Bank of New York, the capital of the new institution being provided by means of a large dividend declared in favor of its own stockholders by the National City Bank. Acting under the suggestion afforded by these published statements, and without request from the Treasury Department or instructions from the President, Mr. Wickersham prepared his opinion and transmitted it to Secretary MacVeagh of the Treasury Department. Mr. MacVeagh at once had the situation investigated by the Comptroller of the Currency and found that in some three hundred cases trust companies or state banks, scattered through the country, were thus controlled jointly with national banks. He further found that the Comptroller's office had, for some twelve years past, practically recognized such a joint control. Many cases had been brought to the attention of the Currency Bureau, which had declined to take any adverse action or to make any suggestions hostile to the proposed undertakings. The system has thus grown up under tacit recognition from the government which is therefore partially responsible for it. The attitude of the Comptroller's office has all along been that such control of trust companies kept the national banks "clean" by rendering it unnecessary for them to violate the National Bank Act. They were able to turn over to their affiliated organizations business which they could not themselves handle, and which they would under other circumstances have been obliged to send to competing concerns. After due consideration, Secretary MacVeagh prepared and trans-

mitted to the Attorney-General on August 23 an opinion adverse to that of the Department of Justice, in which the existing situation was upheld. It was pointed out that the control of affiliated institutions by an identical body of stockholders was not the same as the direct ownership of shares in one bank by another bank. Further, it was noted that the stockholders of such affiliated institutions were not in all cases absolutely identical. Other considerations intervened to prevent the acceptance of the Attorney-General's views by the law officers of the Treasury. Upon the request of Attorney-General Wickersham, Secretary MacVeagh consented that both opinions and all papers in the case should be sent to President Taft, in order that the Executive might render a final decision in the matter. The President has deferred action until next winter. In raising this question, the administration has brought to a head, whatever may be the decision in the particular case at issue, a question which has long been demanding settlement—the question of relations between national banks and trust companies. If the present plan of control should be held illegal, it will be necessary to modify the National Bank Act in important particulars. Otherwise the national institutions will hardly be able to withstand the very severe pressure of competition from the state banks and trust companies to which they are now subject. Should a general banking act be brought forward and passed in the near future, it will have to deal carefully with this subject. Meanwhile a decision by the administration adverse to the existing state of things will cause extensive banking reorganization. Many believe the wiser plan will be to defer action in view of the apparent imminence of general legislation.